



## STUDY OF AN IMPORTANT CONDITION OF SUCCESSFUL BUSINESS ADMINISTRATION: EFFECTIVE HUMAN RESOURCE MANAGEMENT

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### ABSTRACT

This article investigates perspectives on increasing the effectiveness of modern enterprises' business administration by improving human resource management. To verify the paper's hypothesis, this paper uses factor analysis methods and correlations and regression analysis to determine how human resource management contributes to the success of business administration. This paper identifies the most important indicators in the success of business administration. It describes how human resource management contributes to achieving this success before the authors offer recommendations for increasing the effectiveness of human resource management within an enterprise. This study found that effective human resource management is the most important condition for successful business administration, which indicates that companies today must pay particular attention to human resource management as part of their business administration processes. Moreover, perspectives on increasing the effectiveness of modern enterprises' business administration by improving human resource management processes are connected to the growth of the personal aspect of human capital.

## 1. Introduction

In the modern economy, business administration performs the management of entrepreneurial structures. This means that the manager of an enterprise is complex, requiring a systemic approach to coordinate the actions of its components within the general market strategy [1, 2]. Successful business administration allows an organisation to achieve a sustainable position that is resilient in the face of changes to the market environment, ensuring its long-term stability and development [3, 4]. High levels of uncertainty and risk characterise business administration, while there is also a need to simultaneously control multiple structural elements and diverse factors within an enterprise [5, 6]. These challenges result in errors in modern enterprises' business administration, leading to the loss of familiar landmarks and meaning that various departments apply their efforts in different directions. This reduces synergy and slows down the development of both individual enterprises and the broader system [7-9]. Such crises can be a significant factor in influencing national and global economic recession, but this may be overcome and even prevented through the development and improvement of the business administration process at the micro-level. The recent global financial crisis revealed severe problems in the business administration sphere. This has motivated a growing interest in studying the key components and factors of success in business administration. This article posits that effective human resource management is essential for successful business administration. This paper strives to verify this hypothesis and determine the perspectives through which modern enterprises' business administration can become more effective by perfecting the process of human resource management.

## 2. Literature Review

Human Resource Management is the process through which managerial relations are developed to increase the efficiency of an enterprise's labour activities [10-12]. To implement the human resource management process, an enterprise's internal structure and the functions of its principal components must be determined [13]. Many scholars have studied the specifics of human resource management, including works by [14]. To achieve effective human resource management, it is pivotal to have a comprehensive management system and ensure that the development of the managerial process is well balanced. When a company constantly changes its human resource policies, this can make the labour force less efficient by disorienting staff, which prevents the organisation from achieving its economic strategy [15-17]. For this reason, scholars stress the need to maintain a comprehensive and logical human resource management strategy while periodically taking into account external environmental changes that may require alterations to the system [18].

Business administration not only involves the management of an enterprise in its entirety but also specific aspects, including its production, finances, and personnel precisely [19]. Higher-level management performs business

administration (Export promotion, 2014), and several scholars have written about the methodological and theoretical aspects of business administration for modern enterprises [20, 21]. This analysis of recent studies and publications on this topic has found a high degree of elaboration in discrete aspects related to business administration and HR management. Moreover, the interdependence of business administration and HR management and how to solve this issue has not been put forward in empirical studies, which has motivated this paper's investigation and development of this subject.

### 3. Research Methods

The hypothesis tested should answer the research questions of the study [22, 23]. To verify the hypothesis put forward in this paper that effective human resource management is the most important condition of successful business administration; this study uses the factor analysis method. This method was chosen because it facilitates the determination of the influence of each factor on the studied indicator, without needing to study the influence of other factors since this would render the calculations too complicated. This paper suggests that the model for successful business administration can be expressed in the following formula:

$$S_{BA} = E_{HRM} * E_{MM} * E_{MF} * E_{MT} \text{ (Formula 1)}$$

where

$S_{BA}$  = the success of business administration;

$E_{HRM}$  = the effectiveness of HR management (labour management);

$E_{MM}$  = the effectiveness of management of materials (land);  $E_{MF}$  = the effectiveness of management of finances (capital);

$E_{MT}$  = the effectiveness of management of production (technology).

Formula 1 shows that the success of business administration relies on effectively managing production factors. Moreover, effectiveness is viewed in classical form and its achievement can also be determined as a ratio of result to expenses. Therefore, to order to establish the contribution that human resource management makes to the success of business administration, the following two proportions must be determined:

$$E_{BA}(E_{HRM}) = E_{BA0} * (E_{HRM1}/E_{HRM0}) \text{ (Formula 2)}$$

where  $E_{BA}(E_{HRM})$  = the influence of human resource management on expenses for business administration;

$E_{BA0}$  = business administration expenses for the previous period;

$E_{HRM1/0}$  = HR management expenses for the current/previous period.

$$P(E_{HRM}) = P_0 * (E_{HRM1}/E_{HRM0}) \text{ (Formula 3)}$$

Where  $P(E_{HRM})$  = the influence of human resource management on the enterprise's profit, as the most important result of business administration;

$P_0$  = the enterprise's profit in the previous period;

$E_{HRM1/0}$  = the HR management effectiveness for the current/previous period.

Certain criteria are used together with an expert evaluation within an enterprise's evaluation system to determine the effectiveness of an organization's human resource management. This paper does not perform such an evaluation and instead uses the enterprise's experts' evaluation of the effectiveness of human resource management. This study also uses correlation and regression analysis to provide a stronger methodological basis and achieve confidence in the verification of the hypothesis. These methods allow the following levels of dependence to be identified: expenses for business administration ( $y_1$ ), expenses for human resource management ( $x_1$ ), as well as the dependence on the profit of the enterprise ( $y_2$ ), the effectiveness of human resource management ( $x_2$ ) and the dynamics of the period.

### 4. Results

The role that human resource management plays in business administration is mainly determined by the specifics of the business and the size of the enterprise. In the present study, the research object is the medium-sized enterprise Man LLC from Volgograd Oblast, Russia, which operates in the retail sphere. Table 1 shows the initial data for the calculations.

Based on the data in Table 1, this paper's researchers performed the following calculations:

$E_{BA}(E_{HRM}) = 1187.29 * (554.32 / 458.12) = 1436.63$  million RUB. Through the growth of expenses for human resource management, the business administration expenses of enterprise grew by  $1733.45 - 1436.63 = 296.82$  million RUB (or by 54.35 %).  $P(E_{HRM}) = 939.80 * (9.12 / 8.75) = 979.84$  million RUB.

Through the growth of the effectiveness of HR management, the enterprise profit grew by  $1024.38 - 979.84 = 44.84$  million RUB, or by 53.02 %.

It can thus be concluded that the growth of the effectiveness of human resource management stimulates an increase in the success of business administration.

Table: 1 Initial data for factor, correlation, and regression analysis for the Man LLC

| Indicators              | Values of indicators by years |        |        |                |                |
|-------------------------|-------------------------------|--------|--------|----------------|----------------|
|                         | 2011                          | 2012   | 2013   | 2014 ( $t_0$ ) | 2015 ( $t_1$ ) |
| $E_{BA}$ , RUB million  | 549.48                        | 686.85 | 886.04 | 1187.29        | 1733.45        |
| $E_{HRM}$ , RUB million | 286.12                        | 329.04 | 384.97 | 458.12         | 554.32         |
| P, RUB million          | 894.36                        | 903.30 | 921.37 | 939.80         | 1024.38        |
| $E_{HRM}$ , points      | 8.4                           | 8.41   | 8.56   | 8.75           | 9.12           |

The correlation and regression analysis results indicated that the coefficient of correlations of expenses for business administration ( $y_1$ ) from costs for human resource management ( $x_1$ ) constitutes 98%. In comparison, the profit of enterprise ( $y_2$ ) from the effectiveness of HR management ( $x_2$ ) comprises more than 99%. The result supports this paper's hypothesis since it proves the strong interdependence of the studied indicators.

Considering the reasons for this dependence and analyzing the characteristics of the influence of effective human resource management on the booming business administration of modern enterprises, the critical indicators of success are as follows:

- the enterprise adapts successfully to the changing market environment;
- the enterprise coordinates its structural elements
- the enterprise maximizes the financial results of its activities

An in-depth analysis of the causal connections of the management of an enterprise reveals that effective human resource management and the direct participation of employees allow high values for these indicators to be achieved (Fig. 1).

An enterprise's personnel flexibility and innovative capabilities allow an organization to adapt successfully to the external environment, which requires the high significance of human resource management. Meanwhile, an enterprise's personnel are also its least-predictable production factor. Source of action explains why effective human resource management determines the successful efforts to coordinate its structural elements.

There are many reasons why an enterprise can improve its profits and profitability. But this cannot be achieved in the long term through measures such as economizing on product quality or corporate responsibility. Instead, effective human resource management facilitates innovation and high-quality products, which allows the organization to achieve long-term financial success.

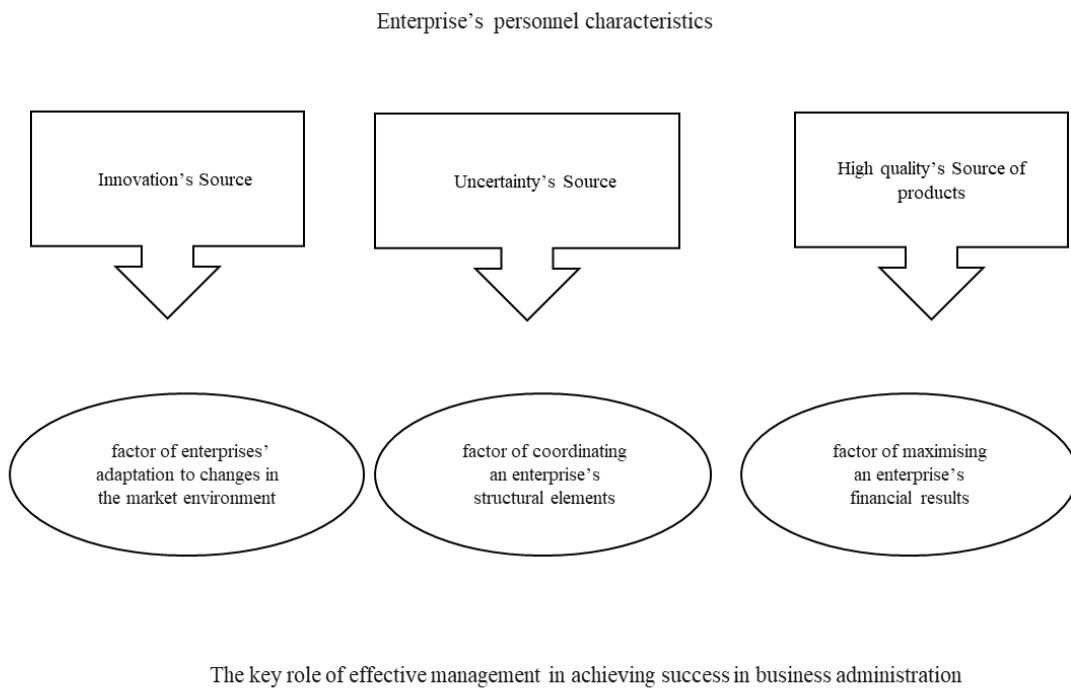


Figure: 1 The effectiveness of human resource management as the most important condition for successful business administration

## 5. Discussion

This research has proved that effective human resource management is essential for successful business administration. The growth of the role of the individual component of human capital is enabled by perspectives on increasing the effectiveness of modern enterprises' business administration by improving human resource management processes.

This paper presents recommendations for increasing the effectiveness of human resource management, as follows:

- It is essential for enterprises to actively involve their personnel in the organization's problems and the attempts to solve these. Meaning that the workforce feels engaged and like they are essential to its future success. This involvement may be achieved by creating open communication between management and employees, delegating authority and linking wages or bonuses to company performance and profits.
- Establishing a close and trusting relationship between management and workers is pivotal, while the administration should also show an interest in employees' problems. Such a relationship helps to engender loyalty among employees and may be achieved by considering employees as individuals, not just their working function.
- The enterprise should not look to economize on human resource management expenses. Although this could create short-term savings, in the long-term, this will lead to reduced employee loyalty, potentially resulting in poor quality output with a consequent effect on financial results.

Implementing these recommendations can allow modern enterprises to take advantage of human resources, facilitating the shift from regarding the labour force as a source of expense to seeing the workforce as the critical factor in achieving a competitive advantage and success within its field.

## 6. Conclusions

This paper's results and recommendations suggest that modern enterprises' business administration should pay close attention to human resource management issues. It is critical to treat workers as individuals with their own lives and goals, providing them with the motivation to achieve these goals and contribute to the success of the more comprehensive enterprise. Enterprises today function in the global economy, which is hugely competitive but can also deliver enormous rewards to successful companies and the employees who work for them. Ignoring the growing trend to put human

resource management at the centre of an organisation's success is foolish as this approach could render an enterprise unable to succeed in the highly competitive global marketplace. Companies should modernise and utilise the many emerging technologies that facilitate excellent human resource management.

The results of this study have theoretical significance, not only in terms of expanding the concepts of human resource management and business administration but also in determining the connection and interrelationship between these concepts. Meanwhile, this study also has practical significance as it recommends steps that contemporary organisations can take to ensure the increased effectiveness of human resource management. Naturally, the conceptual nature of this research means that it also has limitations. The high dynamics of the modern market economy mean that further research in this sphere should explore the development of new and more effective human resource management mechanisms and technologies to allow enterprises to increase the effectiveness of their business administration.

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